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USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

(FOUO 1/80)



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USSR REPORT
CONSUMER GOODS AND DOMESTIC TRADE
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CONTENTS

CONSUMER GOODS PRODUCTION AND DISTRIBUTION

Effectiveness of the Trade Network Evaluated
(B. Gogol'; VOPROSY EKONOMIKI, Feb 80)..... 1

- a - [III - USSR - 38b FOUO]

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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

EFFECTIVENESS OF THE TRADE NETWORK EVALUATED

Moscow VOPROSY EKONOMIKI in Russian No 2, Feb 80 pp 78-88

[Article by B. Gogol': "The Effectiveness of Trade"]

[Text] The dynamic development of the Soviet economy has led to the appreciable development and qualitative change of such a large and important branch as trade. The scale and productive forces of this branch have grown significantly. Trade has come to play a greater part in the process of socialist reproduction, in maintaining and improving the high standard of living enjoyed by the Soviet people.

The further development of trade more and more urgently requires the intensification of the work of that branch and its increased effectiveness. The reference is to socioeconomic effectiveness which reflects not only the attainment of certain economic results but also the solution of such social problems as the more complete satisfaction of the population's demand for goods and services, the saving of the customer's time, and the improvement of the quality of service. Therefore, indicators of effectiveness can above all include the growth of trade turnover, improvement of the commodity structure of trade, and the better supply of all necessary consumer goods.

The total volume of retail trade turnover in state and cooperative trade was 2.3 times higher in 1978 than in 1965. One of the most important indicators of the effective development of trade is the saturation of the nation's internal market with goods. This point is evidenced by the volume of inventories. By the end of 1965, all consumer goods inventories in industry and in wholesale and retail trade were valued at 35.7 billion rubles (the equivalent of 130 days of retail trade turnover); by the end of 1978, the value of these inventories was 60.3 billion rubles (the equivalent of 98 days of retail trade turnover). We cannot fail to note that the increase in inventories in commodity-conducting channels has been accompanied by a significant increase in inventories of consumer goods as well.

In order to secure a higher level of consumption, trade must procure, ship, store, and sell enormous masses of foodstuffs every year. For example, state and cooperative trade sold more than 100 million tons of food staples alone to the population in 1978 (two times more than in 1965).

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The kolkhoz market also plays no small part in the population's food supply even though its share in the sale of food has diminished due to the development of state trade in foodstuffs, the expanded activity of consumer cooperatives in purchasing and commission sales of surplus agricultural products, and a certain reduction in the output of private subsidiary farms for market. But even now, the kolkhoz market still occupies more than 8 percent for the comparable spectrum of commodities on the average while its share is 30-40 percent for such products as potatoes, fresh vegetables, fruit, berries, greens, honey, etc. In some regions of the country, the [kolkhoz] market dominates the sale of these products. The development of private subsidiary farming of kolkhoz and blue and white collar workers creates the prerequisites for further increasing the resources of the kolkhoz market.

State trade and cooperative trade satisfy the population's growing requirements for various nonfood (industrial) commodities. While in 1978, the sale of food commodities increased twofold compared with 1965, the sale of nonfood commodities increased 2.7 fold. The share of the latter in trade turnover is steadily growing and at the present time is 47.8 percent (compared with 42.3 percent in 1965).

Trade plays an important part in supplying the population with clothing, linen, footwear, etc. Per capita purchases (and general consumption) of textiles in 1978 amounted to 33.7 square meters (compared with 26.5 in 1965); knitted wear -- 6.6 units (compared with 4.2 in 1965); hosiery -- 6.5 pairs; leather footwear -- 3.2 pairs (compared with 2.4 in 1965).

Various types of modern consumer durables are being developed on the basis of advances in science and technology and the increase in the scale of production. The supply of durables to families in both town and country is growing substantially. Thus while in 1965, for every 100 families only 11 had home refrigerators and 21 had washing machines, in 1978 these figures were 78 and 70, respectively. In 1978, 84 percent of the families had radio receiving sets and combination radio - record players (compared with 59 percent in 1965) and 82 percent had television sets (compared with 24 percent in 1965), etc.

Characteristically, the levels of supply of goods to families of urban and rural workers have drawn significantly closer together of late. While in 1965, rural television ownership was 47 percent of the urban level (in 1978 -- 78 percent); radio receiving sets -- 73 and 80 percent; washing machines -- 41 and 68 percent, etc. Rural families possess many more sewing machines, bicycles, motorcycles, and certain other items than urban families.

On the whole, the industrial production of consumer goods increased 2.3 fold between 1965 and 1978. The living standard of the Soviet people has risen to an incomparably higher level due to the creation of a mature socialist society based on highly developed productive forces, a mighty progressive industry, on large-scale, collectivist, highly mechanized agriculture, and on trade organized along socialist lines.

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As L. I. Brezhnev noted, "under the conditions of developed socialism, on the basis of the continuous growth of the entire national economy and the coupling of the scientific and technological revolution to the advantages of the socialist organization of society, it has become possible to reorient the economy appreciably toward the more and more complete satisfaction of the broad spectrum of the people's material and cultural requirements. In other words, the highest goal of socialist production today directly becomes the center of the party's practical policy."

Nonetheless, the supply of commodities in the internal market (especially for certain groups of commodities) lags behind growing effective demand and hence the possibility of increasing the effectiveness of trade is not fully utilized. Thus, in recent years the level of inventories in both wholesale and retail trade has begun declining (from 130 days at the beginning of 1966 to 103 days at the beginning of 1978) while the population's money on deposit in savings banks has begun noticeably surpassing the growth of trade turnover especially in rural areas. In 1968, the growth of retail trade turnover amounted to 10.6 billion rubles while savings increased by 5.5 billion rubles or 52 percent of this sum while in 1978 the growth of trade turnover was 10.7 billion rubles and savings increased by 14.4 billion rubles or by 135 percent.

During the first three years of the Tenth Five-Year Plan, the savings of the rural population increased by 10.2 billion rubles while commodity sales rose by 4.9 billion rubles. The decree of the CPSU Central Committee and the USSR Council of Ministers "On the Further Development and Improvement of the Activity of Consumer Cooperatives" stated that there has been considerable development of these cooperatives but noted substantial shortcomings in trade services to the population. The question of increasing production and deliveries of products needed by rural dwellers and of improving the quality and mix of these products does not always receive proper attention.

Similar shortcomings also exist in state trade. All this indicates the need for the more energetic work of organs engaged in the planning and management of production and of trade and consumer cooperatives to draw additional consumer goods into trade turnover. At the same time, an important part is played by the improvement of inventory management, by preventing the "pollution" of commodity channels with unsalable products, and by enhancing the role of warehouses in inventory storage, which will make it possible to improve the mix and increase maneuverability in the territorial location of inventories and in the organization of commodity supply.

The use of the potential of production to supply the market with commodities depends in large measure on the influence exerted by trade, on the correct assessment of anticipated demand in its orders to production, on the orientation of industry toward the production of products that are in demand, and on the search for ways of mobilizing additional commodity resources. Practice offers numerous examples of the disappearance of a number of commodities from the market and of the market becoming glutted with some items as a result of incompetence in the placing of orders by trade and by its administrative and wholesale elements.

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The implementation of the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Increasing the Influence of the Economic Mechanism on Enhancing the Effectiveness of Production and the Quality of the Work" will have great significance for the solution of these problems and for the subsequent more complete and effective satisfaction of the population's growing demand through trade. The system of measures envisaged in this decree for the further improvement of planned economic management will unquestionably also influence the fulfillment of the plans for the delivery of consumer goods both in overall volume and in the mix ordered by trade.

Industrial ministries are also playing a greater part in the management of the consumer goods market. They must a network of factory outlets to sell commodities produced by subordinate associations and enterprises. The procedure for planning trade turnover and for allocating marketable inventory to these outlets must be defined more precisely.

Head [golovnyye] industrial ministries engaged in the production of consumer durables will now act in the capacity of general suppliers at wholesale trade fairs in selling products of all producers irrespective of their subordination. This means concentrating all sales of the given commodities in the head ministries, i. e., the creation of real opportunities for managing specified inventories.

The practice of concluding five-year agreements between main administrations and wholesale trade centers on the one hand and main administrations and industrial production associations on the other is a new and very promising factor in strengthening the action of economic planning levers that ensure the more complete satisfaction of the population's demand. These agreements (contracts) will treat questions relating to the updating and improvement of the mix, commitments increasing responsibility for filling orders, and will make provision for prices on experimental lots of commodities and high-fashion items, and for differentiated trade discounts. Annual agreements on the delivery of commodities will now be concluded on the basis of these five-year agreements.

Given the growing role of industrial ministries and associations in organizing the market, they must be confronted with all problems relating to the evaluation and forecasting of demand for products, to putting new products on the market (primarily through the network of factory outlets), to the management of the shaping of fashion, to improving the consumer quality parameters of products, to ensuring an integrated approach to the creation of physical goods corresponding to the developing socialist way of life.

The decree also orients us toward the solution of the urgent problem of raising the role of the wholesale link in trade. The system of contractual economic interrelations between wholesale bases and retail trade enterprises is being improved and the responsibility of each of these links for uninterrupted supply and for maintaining the necessary mix is being increased. In order that wholesale bases might regularly augment the mix of goods in the retail link, they increase normative inventories.

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In accordance with the decisions that have been made, there must be a major effort to organize a more perfect chain of relations between industry and the wholesale and retail trade. It is based on the strict observance of state planning discipline, on securing the unity of interests of all links of this common chain, on subordinating all work to the attainment of the end result: the more complete satisfaction of the population's different requirements.

The growth of the role of wholesale trade must not only lead to the strengthening of its economic ties with industry and retail trade but must also appreciably transform the character of the activity. Up to now, wholesale trade has predominantly been involved in the interterritorial movement of commodities: most of the goods have been conveyed as transit goods and wholesale trade has merely been the organizer of the movement of the goods. Therefore, retail trade has not had a sufficiently well organized supply system and has tried to supplement it by direct ties with production and by the creation of a large network of small warehouses. Such a commodity supply system is not sufficiently effective.

Master plans of branch management call for the creation of large wholesale associations in republics and oblasts. These associations must shape the product mix for the retail network, must package the products, must prepare them for sale, must organize regular supply in these products and at the same time must become centers for studying demand, for filing orders with production, and for supplying each region with the commodities needed to satisfy the demand.

The modern trade branch of the national economy is the sphere of application of large volumes of labor as well as material and financial resources. More than seven million persons were employed in retail trade and public catering in 1978 alone (if we count retail trade and various subsidiary enterprises of the branch, the total work force would be almost 9.5 million persons). Approximately 20 percent of all working capital in the national economy is concentrated in trade. The total value of the fixed capital of the branch is not reflected by statistics since approximately 60 percent of the buildings at the disposal of state trade and roughly 12 percent of the buildings used by cooperative trade are either leased or used free of charge. Physical yardsticks of the capacity of the trade network, the capacity of warehouses, etc., can serve as indirect indicators of the growth of fixed capital. Thus, between 1965 and 1978 the commercial area of stores increased from 24.8 million square meters to 43.6 million square meters or 1.8 fold while the seating capacity of public catering points increased from 6,862,000 to 15,896,000 places or 2.3 fold.

These data indicate the need to make more effective use of labor and material resources available in the branch, to intensify trade, and to improve the quality of its functioning. In order to characterize the degree of intensiveness of development of the branch, let us compare some of its indicators for two quinquennia: 1961-1965 and 1971-1975 (in %):

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| | 1961-1965 | 1971-1975 |
|--|-----------|-----------|
| Retail trade turnover (in comparable prices) | 133.4 | 136.0 |
| Work force in retail trade and public catering | 135.1 | 117.5 |
| Inventory in retail and wholesale trade | 145.9 | 127.2 |
| Current outlays (marketing costs) | 154.5 | 130.5 |
| Commercial area of stores | 140.9 | 124.8 |
| Number of places in public catering establishments | 153.9 | 136.8 |

Analysis of these data indicates that the growth of trade turnover in 1961-1965 was in large measure due to extensive factors: new manpower, additional working capital (inventory) and fixed capital, and increases in current outlays. The situation was different during the Ninth Five-Year Plan when labor productivity increased by 15.7 percent, commodity turnover time was reduced by 7 days, marketing costs declined by 3.75 percent, and turnover per unit of commercial areas of stores increased by 9 percent. This meant an appreciable shift in the direction of intensive methods of development of the branch and increased effectiveness without which its successful dynamic development is impossible in accordance with the demands for the further improvement of trade services to the population.

It is important to ascertain the basis of the intensification of trade and the nature of its consequences. First of all, it must be considered that manual labor is still predominant in trade and public catering. The level of mechanization of labor in retail trade is approximately 8-10 percent and in public catering -- 18-20 percent. This determines the significance of indicators of the effectiveness of the use of labor resources in the given branches.

The volume of trade turnover per worker is a generally accepted indicator of labor productivity. Of course, this indicator is far from perfect: it depends on the level of commodity prices, on the commodity structure of turnover, and on many other variables. But nonetheless, both in our country and elsewhere it is recognized as the only suitable indicator for evaluating the level of labor productivity in trade.

In state retail trade between 1961 and 1965, this indicator declined by 4.3 percent at the same time that it increased by 6.3 percent in public catering. Labor productivity indicators changed after 1965 when trade

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made the change to the construction of larger enterprises and to the mass introduction of self-service. In state retail trade, these indicators began growing rapidly (by 15.2 percent in 1966-1970; and by 24.2 percent in 1971-1977). These indicators have grown still more rapidly in the consumer cooperatives (by 20.2 and 27.0 percent, respectively). The growth rates of labor productivity were slightly lower in public catering: 10.4 and 13.5 percent at state enterprises and 9.2 and 8.4 percent in cooperative enterprises.

The enlargement of enterprises (concentration of trade) and the improvement of trade technology are basic factors that influence change in labor productivity growth trends in trade. The growth of technical inputs per worker is also a less important but nonetheless important factor.

The concentration of trade is a process that is very characteristic of the present stage in the development of the scientific-technological revolution in the service sphere in all industrially developed countries. This process is accompanied first and foremost by the expansion of the mix and the increase in the number of types of commodities which requires larger stores that can offer shoppers a sufficient choice. New housing construction (including an increase in the number of floors), the development of means of transport and refrigeration equipment, and finally, the general rise of the living standard serve as other factors. The economic effectiveness of trade enterprises is also of no little importance: large enterprises have indisputable advantages over small enterprises. Large stores with a general or complex assortment are also able to offer shoppers many additional services, to cut shopping time, and to raise the general level of service.

The importance of concentrating retail trade in order to increase labor productivity is indicated by the following calculations.*

Trade Turnover Per Worker in Stores Belonging to the USSR Ministry of Trade, Departments of Workers' Supply and Food Supply Agencies (Fourth Quarter of 1973)

| Group of stores with a turnover of (thousands of rubles) | Turnover per worker (in thousands of rubles) | Level of Labor productivity (in %) (column 1 = 100) |
|---|---|--|
| under 100..... | 9.94 | 100 |
| from 100 to 500..... | 12.34 | 124.1 |
| over 500..... | 16.26 | 163.6 |

*Calculations performed on the basis of groupings of enterprises by the USSR Central Statistical Administration in the fourth quarter of 1973.

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As a result of the concentration of trade, the share of stores with low effectiveness of labor in trade turnover declines. Between 1960 and 1974, the share of stores with trade turnover under 100,000 rubles in trade turnover declined from 34.3 to 16.7 while the share of stores with a turnover in excess of 100,000 increased correspondingly. As a result, according to our calculations the general level of labor productivity increased by 10.3 percent.

Thus, in retail trade the policy of creating a network of large stores must be continued in the future as well. This direction has been realized in new construction in recent years. In 1965, the average commercial area of newly built stores was 93 square meters compared with 250 square meters in 1976. Starting in 1970, the network of modern self-service department stores [universamy] with a commercial area ranging between 400 and 2000 square meters has been developing, large department stores [univermagi] with a commercial area from 2000 to 22,000 square meters, and large specialized stores have been built. At the same time, the rate of new construction in trade and especially in state trade is not sufficient to secure a radical change in the general structure of the trade network and the associated saving of labor resources.

The country numbers, for example, only 260 such highly effective enterprises as self-service department stores and their construction lags substantially behind the program. The increased effectiveness of trade in complex technological products (electrical household appliances and instruments, radio commodities, etc.) requires their concentration in large specialized stores but as yet the level of specialization is a mere 20-25 percent.

The trade network must be specialized in a new way with due regard to modern demands in each city and region of the nation. It must be based on the division of the inventory into everyday goods for which department stores are more effective in residential regions while commodities that are in periodic demand are better sold through department stores and specialized stores (with a high degree of concentration of the assortment).

There is need not only for a certain degree of respecialization of the trade network but also its reconstruction since only one-fourth of the existing enterprises have been built in the last decade while the other four-fifths were created earlier and do not correspond to the requirements of the modern organization of trade services. Therefore the points contained in the decree of the CPSU Central Committee and the USSR Council of Ministers on the planning of the reconstruction and technical retooling of existing enterprises must apply fully to trade.

Matters are more complex at public catering enterprises where concentration virtually does not lead to the growth of labor productivity. For example, at small enterprises with a turnover less than 30,000 rubles, sales per worker according to our data amount to 1.34 thousand rubles while at enterprises with a turnover in excess of 30,000 rubles sales per worker are even slightly lower: 1.29 thousand rubles.

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The specific features of public catering in many instances necessitate the creation of not only large and medium-size enterprises but also small enterprises (especially, cafes, snack bars, etc.). Therefore while in 1965, newly activated state enterprises on the average had accommodations for 83 persons, in 1976 this number was 112, i. e., an increase of only 35 percent.

Let us examine the economic effectiveness of introducing more sophisticated technological processes.

The most characteristic change in technology in retail trade in recent years has been the mass introduction of the self-service system. As we know, the first self-service store in the country was opened in Leningrad in 1954. A decade later -- in 1965 -- there were more than 6000 such stores in the state trade system. However, their share in total trade turnover was less than three percent. This system became a mass phenomenon in subsequent years, especially in the Ninth Five-Year Plan. By the beginning of 1976, 14 million square meters out of 21 million square meters of commercial area were involved in sales based on the self-service system. In rural cooperative trade, this system occupied an even more considerable place.

The transition to the self-service system has unquestionably played a positive part especially under the conditions of the insufficiently dense trade network. Our studies show that shoppers spend 20-30 percent less time shopping in self-service stores; the service and sales processes are faster. But this has still not resolved the basic problem of economizing on labor resources in retail trade. Thus while in food stores in the state trade system quarterly turnover per store worker was 10.97 thousand rubles (fourth quarter of 1973), in self-service stores the quarterly turnover was only 9.53 thousand rubles or 13 percent below the average level.

In self-service stores, such economic indicators as trade turnover per square meter of commercial area and profitability are also lower. Nonetheless, an important part is played by the saving of the shoppers' time and by the greater shopping conveniences.

But while this was deemed sufficient in the initial stage of development of the self-service system, the time has now come to bring about a serious increase in the economic effectiveness of self-service. The changeover to self-service improves only the part of the technological process that is associated with the sale of commodities, which comprises only part of the labor inputs in the trade distribution network. More considerable labor expenditures in trade are association with delivering, loading and unloading goods; with storage, transporting, verifying, accounting, packaging, pre-sale preparations, etc. The given operations usually do not change when the transition is made to self-service. In a number of cases, these operations are even more complex. The store clerk has become a consultant and a comptroller and it has become necessary to hire specialists to perform many functions (packaging, etc.).

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This requires the further improvement of the entire technological process, including the range of operations that K. Marx classified under the heading of additional expenditures associated with the continuation of the production process in the marketing sphere. In the course of the further development of the social division of labor, some of these operations are assumed by branches of material production or else become independent branches. This is how things stand with the production of culinary items and prepared foods, with the packaging of goods, with their transporting; with the fabrication, repair and turnover of packaging and the storing of part of the inventory (especially seasonally produced items). The resolution of these questions is so important for the further improvement of the commodity supply system, of trade services, and for the reduction of expenditures that they have become the object of one of the state scientific-technical programs of the Tenth Five-Year Plan: "To create and introduce commodity supply systems and equipment complexes that increase the effectiveness of trade and raise the level of trade services."

This program reflected the need to create a single industrial system for moving food products from the factory (plant) conveyor of the producer to the customer by the self-service method. The system is based on the delivery and sale of commodities in small containers that are automatically stacked at industrial enterprises and delivered to the store. Distribution warehouses become centers for storing inventory, for making up the full assortment, and for the organization of regular commodity supply. Participants in the effort to resolve this problem include machine builders (who produce technical means for the mechanization and automation of final operations in production, lift trucks, containers, and other equipment), industrial personnel who produce commodities, transport workers, warehouse and store personnel.

While the program has not been fully implemented, the experience derived from the introduction of its individual elements even now indicates the high effectiveness of the system. For example, in Klaypeda all large food stores have been entirely converted to operation on the basis of this system. This made it possible to operate with one-fifth the previous number of ancillary workers and delivery trucks, to greatly increase the effectiveness of the use of warehouse and trade buildings, to reduce the volume of heavy manual work in the transporting of commodities, etc. Moscow trade organizations are engaged in a major effort to introduce progressive technologies. In recent years, the majority of fruit and vegetable combines and all specialized vegetable stores have begun using progressive technologies. The delivery and sale of potatoes and vegetables in containers save between four and six rubles per ton. Starting in 1978, 10 large food stores belonging to the Perovskiy raypishchetorg [expansion not given] in Moscow, some of the capital's self-service department stores, and some other stores have been converted to this system. The new commodity-movement technology is now widespread in both urban and rural trade.

The introduction of the new technology has led to a change in views regarding the role of warehouses in the general commodity-movement system. The opinion expressed in economics literature that it is more expedient to bypass the

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warehouse and ship goods directly from the industrial enterprise to the store is subjected to serious scrutiny. As shown by the experience of a number of socialist countries (the GDR, Bulgaria, and others) and of large capitalist firms, the creation of central warehouses for commodity inventories, for completing the assortment, for organizing regular shipments, etc., is more effective. This relieves stores of the necessity of having large ancillary buildings that cannot be outfitted with mechanisms and effectively used. At the same time, stores are deprived of the possibility of offering a stable and sufficiently broad assortment of complex products. As a result, the seeming reduction in the time of movement of commodities is in actual fact a slowdown in the entire process and involves the buildup of excessive inventories in its final link while the level of customer service declines. Naturally, such a principle cannot be applied to trade in perishables (bread, meat, milk, greens, etc.).

The raising of the technical level of equipment of enterprises is an important condition to the effectiveness of trade. In the last decade, the quantity of technical means in trade roughly doubled on the whole. Nonetheless, notwithstanding appreciable changes, the level of mechanization of labor is as yet still low especially in the transporting and packaging of goods. For example, at the beginning of 1977 in state trade in the Ukraine, for every 1000 stores there were only 690 cash registers, 516 freight carts, and 79 freight elevators. It is expedient to resolve the problem of replacing manual labor in trade and public catering in two directions: the first of them consists in the total mechanization of labor on the basis of the consolidation of the network, the mechanization of basic works, and the application of progressive technologies; the second of them involves the further deepening of the social division of labor, which makes it possible to reduce labor expenditures in stores and dining rooms. For example, the majority of the country's food stores still package a significant quantity of goods by hand. The transfer of this work to industry or the concentration of it in warehouses, in special packaging shops, and at factories make it possible to mechanize and automate packaging operations thereby reducing the requirement for manpower, mechanisms, packaging materials, etc. Such experience already exists in Moscow, Leningrad, Vil'nyus, Klaypeda, and many other cities.

Among economists there is no consensus on the criteria and indicators of the effectiveness of trade. Most authors believe that both economic and social effectiveness in trade should be evaluated. They usually classify a number of particular indicators among the indicators of economic effectiveness. Examples of the former are the effectiveness of the utilization of fixed capital (output-capital ratio, capital-output ratio, etc.), the effectiveness of the utilization of working capital, the effectiveness of labor, the level of profitability, etc. As yet there is no consensus on the methods used to calculate many of these indicators. Various economists believe that trade's level of profitability must be measured in percent of trade turnover, of marketing costs, of fixed and working capital. The latter strikes us as most correct since it corresponds to the very nature of commodity circulation.

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The question of using methods to measure labor productivity in trade and in general the legitimacy of the existence of such an indicator is still debated. The question of evaluating the effectiveness of the use of fixed capital has not been resolved since in trade a significant percentage of the buildings are leased or are transferred to trade free of charge. For these and certain other reasons, there are debates on the legitimacy of introducing payments for capital [plata za fondy] in trade, on the correctness of the existence and economic essence of rent payments, and on the level of interest on credit.

The literature does not discuss the question of the time of commodity circulation as an indicator of the effectiveness of trade (and of all commodity circulation). This indicator is not interconnected with the evaluation of the results of economic activity, with economic incentives. A certain indirect connection is manifested only in the fact that the circulation time influences the level of marketing costs and in particular the payment of interest on credit, expenditures on the storage of inventory, and the quantity of working capital. However, the degree of this connection is slight and, practically speaking, branch personnel are not economically motivated to optimize commodity circulation time, which in turn leads to the accumulation of inventories of "unsalable" commodities, to their considerable discounting. All these particular indicators of effectiveness are not interconnected into a single system. Their dynamics is characterized by varying directionality and there is no general indicator of the economic effectiveness of trade.

The determination and measurement of social effectiveness in general are problems that have not yet been elaborated. There are, for example, proposals on the conditional monetary evaluation of expenditures of nonworking time on shopping. Many trade enterprises have introduced the evaluation of the quality of labor on the basis of a system of indicators and their evaluation on a point scale. As yet, however, the absence of complaints by shoppers is considered to be the social indicator of good quality of service in existing regulations on wages of trade personnel and in socialist competition agreements. All this is an indication that we still have not devised a measurable indicator that could be used to characterize the social effectiveness of trade. In our opinion, such a general indicator at the level of the national economy or an individual region must take into account the degree of satisfaction of the population's demand for goods and services. The activity of individual trade enterprises and associations is evaluated on the basis of two indicators: trade turnover and profit. Trade turnover expresses the result of activity that characterizes the sum of realized value or the value expression of the mass of consumer goods conveyed by trade to the direct consumer in exchange for his monetary income. This transforms the trade turnover indicator into one of the most important indicators reflecting the goal and the result of the functioning of trade. Retail trade turnover expresses not only economic results associated with the final recognition of the social utility of expended labor and the realization of value created. Trade turnover is

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also a social indicator since it is instrumental in determining the mass of products available for satisfying the material requirements of members of society and for creating the corresponding living conditions. Profit characterizes the economic effectiveness of the functioning of the system and its share in the creation of society's net income. Therefore, in our opinion there is every justification for using trade turnover and profit in the capacity of the basis for evaluating the socioeconomic effectiveness of trade.

The effectiveness of the trade enterprise can be evaluated as the ratio of trade turnover and profit to resources (inputs). Fixed capital, working capital and the wage fund should act in the capacity of resources.

At the same time, general indicators do not make it possible to judge the effectiveness of the use of individual resources. In this regard, there is the need to elaborate and apply a system of reciprocally coordinated particular indicators of effectiveness. Trade turnover or profit per ruble of fixed capital; trade turnover or profit per square meter of commercial area should be classified among indicators of the effectiveness of the use of fixed capital. The effectiveness of the use of working capital is measured: by trade turnover or profit per ruble of working capital; by the turnover time of commodity resources (days).

Particular indicators characterizing the effectiveness of the use of labor resources include: trade turnover or profit per ruble of wages; and trade turnover per trade worker. The proposed system of yardsticks is insufficient to evaluate the national economic effectiveness of trade (at the national or regional level). In the capacity of the two most important components in this case, we should use: the degree of satisfaction of the population's demand; and the level of availability of trade services that can be expressed in indicators of the density of the trade network.

The system of indicators of the national economic effectiveness of trade is a question that requires further study.

The further increase in the effectiveness of trade must not be viewed as the result of the activity of this branch of the national economy proper. The effectiveness of trade depends directly on processes in allied branches of material production and also in branches of the infrastructure, in the sphere of distribution and consumption.

The transition of many heterogeneous functions of trade to other branches of material production is one of the substantial reserves for increasing the effectiveness and improving the activity of trade.

The development and intensification of the social division of labor necessitates improvements in relations between trade and production for the attainment of dynamic equilibrium between supply and demand in the internal

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market which results both in the realization of the commodities and in the satisfaction of the population's demand.

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END

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